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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B06

PLR-117570-10

Date:

July 16, 2010

Legend

Parent =

Distributing =

X =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Controlled =

Distributing
Business =

Controlled
Business =

\$x =

Dear :

This letter responds to your April 21, 2010 letter from your authorized representatives requesting rulings on certain Federal income tax consequences of a Proposed Transaction. Additional information was received in letters dated May 25, July 14, and July 16, 2010. The information provided in those letters is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Spin-Off (described below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation, the controlled corporation, or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

Facts

Parent is the common parent of an affiliated group of corporations that file a consolidated Federal income tax return ("Parent Group"). Parent owns all of the common stock of Distributing, Sub 1, Sub 2, Sub 3 and Sub 4. Sub 1 owns all of the stock of Controlled ("Controlled Common Stock"). Distributing is engaged in the Distributing Business and Controlled is engaged in the Controlled Business.

Distributing has outstanding common stock ("Distributing Common Stock") and preferred stock ("Distributing Preferred Stock"). The Distributing Preferred Stock consists of \$x par value cumulative preferred stock ("Cumulative Preferred Stock") and no par value cumulative preferred stock ("No Par Value Cumulative Preferred Stock").

All shares of Cumulative Preferred Stock constitute one class of stock and all shares of No Par Value Cumulative Preferred Stock constitute one class of stock. By the time of the Spin-Off described below, Distributing will have changed its name to X (this letter will continue to refer to the entity as Distributing).

Financial information submitted by Distributing indicates that the Distributing Separate Affiliated Group ("Distributing SAG") and the Controlled Separate Affiliated Group ("Controlled SAG") have each had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

Proposed Transaction

For what the parties to the transaction represent are valid business reasons, Distributing has proposed the following transaction ("Proposed Transaction"):

(i) Sub 1 and Sub 2 will each merge into Distributing, with each transaction intended to qualify as a reorganization within the meaning of section 368(a), with Distributing as the surviving corporation ("Mergers"). Distributing will succeed to all of the assets, and assume all of the liabilities, of Sub 1 and Sub 2, including all the Controlled Common Stock held by Sub 2. No shares of Distributing Common Stock will be issued in the Mergers. All shares of Sub 1 and Sub 2 common stock will be cancelled for no consideration. Parent will contribute its shares of Sub 2 preferred stock to Sub 2 immediately prior to the Mergers. All other outstanding shares of Sub 2 preferred stock will be converted into new shares of Cumulative Preferred Stock.

(ii) Distributing will distribute all of the Controlled Common Stock to Parent ("Spin-Off").

(iii) Parent will contribute all of the Controlled Common Stock received in the Spin-Off to Sub 3.

Continuing Relationships

Upon completion of the Proposed Transaction, the Distributing SAG and the Controlled SAG will have various continuing relationships as described in the submission.

Representations

The following representations are made in connection with the Spin-Off:

(a) Indebtedness, if any, owed by Controlled to Distributing immediately after the Spin-Off will not, for U.S. Federal income tax purposes, constitute stock or securities.

(b) No part of the consideration to be distributed by Distributing will be received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(c) The five years of financial information submitted on behalf of the Distributing SAG is representative of the Distributing SAG's present operation and its operations over the past five years, and with regard to the Distributing SAG, there have been no substantial operational changes since the date of the last financial statements submitted.

(d) The five years of financial information submitted on behalf of the Controlled SAG is representative of the Controlled SAG's present operation and its operations over the last five years, and with regard to the Controlled SAG, there have been no substantial operational changes since the date of the last financial statements submitted.

(e) Following the Spin-Off, the Distributing SAG and the Controlled SAG will each continue the active conduct of their respective businesses, independently and with their separate employees, except that each will continue to share in certain administrative support services provided to members of the Parent Group by Sub 4.

(f) The Spin-Off is being carried out for the corporate business purpose of reducing Distributing's borrowing costs and improving access to the credit markets of both Distributing and Controlled, and is motivated, in whole or substantial part, by this corporate business purpose.

(g) The Spin-Off is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(h) Distributing neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the Spin-Off.

(i) No indebtedness between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be cancelled in connection with the Spin-Off.

(j) No intercorporate debt will exist at the time of, or subsequent to, the Spin-Off.

(k) Immediately before the Spin-Off, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to the Controlled stock will be included in income immediately before the Spin-Off (see Treas. Reg. § 1.1502-19).

(l) Payments made in connection with any continuing transactions between Distributing and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length or as provided by applicable regulatory authorities governing such transactions.

(m) No parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(n) For purposes of § 355(d), immediately after the Spin-Off, no person (determined after applying § 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50-percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Spin-Off.

(o) For purposes of § 355(d), immediately after the Spin-Off, no person (determined after applying § 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50-percent or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Spin-Off or (2) attributable to distributions on Distributing stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Spin-Off.

(p) The Spin-Off is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(q) Immediately after the Spin-Off, neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(r) Parent, Distributing, Controlled, Sub 1, Sub 2 and Sub 3 will each pay its own expenses, if any, incurred in connection with the Proposed Transaction.

(s) At the time of the Spin-Off, Distributing will not have an excess loss account in the Controlled stock within the meaning of §1.1502-19.

Rulings

Based on the information submitted and the representations provided, we rule as follows with respect to the Spin-Off:

(1) No gain or loss will be recognized by (and no amount will be included in the income of) Parent on the Spin-Off (§ 355(a)(1)).

(2) No gain or loss will be recognized by (and no amount will be included in the income of) Distributing on the Spin-Off (§ 361(c)(1)).

(3) The aggregate basis of the Distributing and of the Controlled stock in the hands of Parent will equal the aggregate basis of the stock of Distributing held immediately before the Spin-Off, allocated between the stock of Distributing and Controlled in proportion to the fair market value of each in accordance with Treas. Reg. § 1.358-2(a)(2) (§ 358(b)(2) and (c)).

(4) The holding period of the Controlled stock received by Parent will include the holding period of the Distributing stock with respect to which the distribution is made, provided such Distributing stock is held as a capital asset by Parent on the date of the Spin-Off (§1223(1)).

(5) Earnings and profits will be allocated between Distributing and Controlled in accordance with § 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(f)(2).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

(i) whether the Distribution satisfies the business purpose requirement of § 1.355-2(b), (ii) whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or the Controlled corporations or both (see § 355(a)(1)(B) and § 1.355-2(d)), or (iii) whether the Distribution is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in Distributing or either of the Controlled corporations (see § 355(e) and § 1.355-7).

Additionally, no opinion is expressed about the tax treatment of steps (i) and (iii) of the Proposed Transaction.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Richard M. Heinecke
Assistant to the Branch Chief, Branch 6
Office of Associate Chief Counsel
(Corporate)